

**Report**  
**of the**  
**House Interim Committee**  
**on**  
**Hold-Harmless**  
**School Districts**

**December 15, 1999**

REPORT OF THE  
HOUSE INTERIM COMMITTEE  
ON  
HOLD-HARMLESS  
SCHOOL DISTRICTS

COMMITTEE MEMBERS

Representative Sam Berkowitz

Representative Ed Hartzler

Representative Rita Days

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Representative Emmy McClelland

Representative Don Kissell

Representative Charles Shields

Representative Scott Lakin

Representative Carl Vogel

Representative May Scheve, Chair

## **A. History of the Issue**

### **1. What is hold-harmless?**

Hold-harmless school districts are the product of an approach to school finance called "leveling up." The General Assembly decided upon this approach in SB 380 in 1993, when the school funding system was under legal challenge for being unfair in the way it distributed state aid to school districts. Under the provisions of this bill, also known as the Outstanding Schools Act, districts that would otherwise have had state support withdrawn were "held-harmless" at their 1992-93 state aid level. They would not get less than their 92-93 level of basic aid, but they would not be eligible for automatic increases that other districts receive under the SB 380 funding formula.

Hold-harmless districts fall into two broad categories. One type of hold-harmless district is held-harmless because the previous funding formula gave it a financial advantage as compared to the current formula. For example, the old formula disproportionately protected districts that experienced declining enrollments. The other type of hold-harmless district occurs because the district's local resources are considered to be high enough that the district must bear a greater percentage of its educational expenses in comparison with districts with fewer resources. The funding formula uses assessed valuation as the primary measure of local resources. Districts that experience large growth in assessed valuation may become hold-harmless.

While some districts become hold-harmless, others may go back on the formula after a few years in hold-harmless status because of increasing numbers of pupils or because they raise their operational levy. For some districts whose local resources are very high, even a substantial levy increase or increase in pupil count would not lift them out of hold-harmless status. In the 1998-99 school year, 50 districts were hold-harmless; in the 1999-2000 school year, there are 66 hold-harmless districts out of a total of 525 districts statewide. A core group of 38 districts has been held-harmless for the first six years of the SB 380 funding formula. About two-thirds of this core group are held-harmless because of relatively high levels of local resources.

### **2. Why is this issue surfacing more frequently in discussions of school funding?**

From the viewpoint of the hold-harmless districts, their basic state aid has been frozen at the 92-93 level. In absolute terms, most, if not all, of these districts are receiving more state school funding overall than they did before the adoption of SB 380; however, hold-harmless districts are having to work much harder and make extremely tough decisions to maintain their funding levels. Some additional state money comes in the form of grants, which means districts must have somebody on staff who can write successful grant proposals. Some state money, such as the categorical funding known as "at-risk" or Line 14 funding, may only

be expended in particular ways. Hold-harmless districts do not receive Line 14 moneys to the same extent as districts on the formula do.

And, most importantly, the equity provisions of SB 380 require districts that have more local resources to pay more of their own way than districts with fewer resources. As hold-harmless districts are forced to go to their district patrons and request more money for operating expenses, they are more frequently meeting with voter confusion, if not with downright irritation. As both operational levies and bond issues are defeated, frustration grows for both voters and school personnel.

## **B. Committee Activities**

Throughout October and November of 1999, the House Interim Committee on Hold-Harmless Districts held meetings at Affton High School in suburban St. Louis; at Lindenwood University in St. Charles; at Northgate Middle School in North Kansas City; and in the Capitol, Jefferson City. The Committee heard testimony from school superintendents, school board members, teachers, parents, local taxpayers, and current and former members of the General Assembly. The Committee also received written testimony. Summaries of the testimony are included as Appendix 1. Additionally, the Committee used the services of the National Council of State Legislatures in researching how Michigan moved from a property tax base to a sales tax base for its school funding.

In its November 15 meeting in Jefferson City, the Committee worked with a list of suggested solutions and possible funding sources, which had been compiled from testimony. After discussion, the suggestions were placed into two separate lists. The list of solutions had, where possible, a price tag associated with the solution; the list of possible funding sources was created because the Committee believes that if a solution is to be found, it must be paid for in a way that does not reduce existing resources.

The Committee recommended its top three solutions and top three funding sources, which may be found in the **Recommendations** section.

## **C. Findings of the Committee**

1. **"Hold-harmless" is a complex issue and is difficult to explain to voters.**  
Hold-harmless districts experience great difficulty in explaining to their voters why their operational levies need to be raised. Voters are confused, and in some cases rather irate, about the need for levy increases. The problem may be worse in districts near riverboat casinos; a direct connection between the presence of the casino and the school district bank vault seems to be part of the mental picture of local school funding. The problem may also be more pronounced in areas that

have a rigorous property reassessment program.

**2. While SB 380 has provided additional money, some of the money comes with complications attached.**

Much of the additional money coming from the state, whether in the form of grants or Line 14, has strings attached to it. Districts that don't have full-time, experienced people writing grant proposals are at a disadvantage in competing for those dollars. Grant funds are also frequently intended as seed money to start a program, rather than a permanent source of operating funds. Once the grant period is over, the district must find funding to continue the program or drop it. The conditions apply to districts on the formula as well as to hold-harmless districts, but hold-harmless districts do not receive increases in their basic state funding to help offset the complications they face.

**3. Less than full funding of categorical aid causes additional problems.**

Hold-harmless districts, like districts on the formula, "borrow" from operating funds to cover categorical expenses such as transportation. To the extent categorical funding is less than the full amount permitted by statute, districts make up what they see as a deficit from local funds, which thus lessens funds available for teaching and learning and hastens the time when an operating levy increase must be asked for.

**4. Hold-harmless districts are faced with raising taxes or cutting services.**

Currently, many hold-harmless districts are considered good school districts, desirable places to live that provide good educational opportunities for their students. However, as years of low but steady increases in the Consumer Price Index eat away at district purchasing power, districts are pushed to the edge to find funds to keep experienced teachers, maintain much-needed auxiliary programs, and keep up the necessary conditions that contribute to academic achievement.

**5. To help hold-harmless districts without upsetting the equity provided by SB 380 requires a delicate balance.**

It is safe to say that most citizens would define equity in school funding as providing an equal number of dollars per pupil. However, the equity provisions of SB 380 give school districts equal access to funds per penny of tax rate, regardless of the local assessed valuation so that districts with fewer local resources have equal access to state resources. Any solutions to the problems faced by hold-harmless districts need to be crafted so they do not disrupt the progress towards equity that the state has made and so they do not cost more than the state can bear.

## **D. Recommendations of the Committee**

### **1. Solutions**

Members of the Committee were asked to select their top three choices for a solution to the problems of hold-harmless districts.

- a. Fully fund categorical aid. The solution that was most frequently chosen, whether as a first, second or third choice, was to fully fund categorical aid to all districts. The type of categorical aid most mentioned as needed in Committee testimony is transportation. When other transportation costs, such as those related to charter schools, Kansas City, and the St. Louis transfer program, are filtered out of the requested appropriation (total \$37 million), it would take \$18.9 million dollars to bring transportation funding up to the point where districts can be reimbursed for 75% of their transportation costs. The 75% cap is imposed by statute in the funding formula.
- b. Change the way in which Line 14 moneys are computed for hold-harmless districts. Next most frequently chosen was to revise the hold-harmless calculation to permit hold-harmless districts to retain all of their Line 14 at-risk categorical aid. Cost for this solution has been estimated at no less than \$24 million.
- c. Change the way in which at-risk students are computed in hold-harmless districts. The third most frequently chosen solution was a statutory change to the way in which students in hold-harmless districts are counted for purposes of Line 14 aid. The change would re-set the base calculation for the 97-98 school year to exclude voluntary transfer program students, so that growth in the number of pupils eligible for Line 14 funding would be calculated on resident pupils. This change would let hold-harmless districts participating in the voluntary transfer program, who are receiving increased Line 14 aid this year based on counting transfer students, capture more of the funding made available to them through options enacted by SB 781 in 1998 that are based on growth in at-risk pupils.

### **2. Funding the solutions**

- a. Gaming proceeds. The most frequently chosen source of funding was growth in gaming proceeds. Because open boarding is still quite new, the Gaming Commission was reluctant to forecast specific numbers to expect from open-boarding related increases during the Interim Committee hearings, but it appears that open boarding will produce a substantial increase in revenues, which could be directed towards funding categorical aid.
- b. Revise the way gaming proceeds are divided. Another source of funding that straddles the line between solution and funding source was to distribute gaming revenues on a per-pupil basis, rather than through the funding formula. This would be a substantial change to the funding

formula that would require an infusion of general revenue over a multi-year period (approximately \$30 million a year for 5 years) in order to keep the same dollars flowing to the basic formula aid.

- c. Moneys made available through changes to Hancock calculations. The third alternative for funding is to direct moneys made available by a recent court-driven change to the total state revenue calculation that underlies Hancock refunds. The revenue lid remains the same, but the money subject to the lid is reduced by excluding Conservation funds from total state revenue, resulting in more money available for appropriation. The totals are substantial but are one-time moneys.

## **Appendix 1. Summaries of Committee Testimony**

### **October 4, 1999 Meeting at Affton High School**

#### **David Glaser, Financial Officer, Rockwood School District**

In analyzing a school district's finances, it is important to note that expenditures are aligned with revenues and not necessarily with the income of residents. Rockwood, like most districts, gets about 90% of its revenue from just 3 or 4 sources: property tax (about 60%), foundation formula (10%), sales tax (10%), and the voluntary transfer program (10%). Hold-harmless districts do not want to take money from other districts.

While the new formula was needed in 1993, it has provided no new funding for Rockwood in the last 6 years. The extra money from last year's SB 781 will only last for one year because of the way transfer students will be counted. In response to questions from the committee, Mr. Glaser estimated the need for additional funding at approximately \$12 million for Line 14 at-risk moneys and \$18 million to compensate for inflation since 1993. Grants provide less than 1% of Rockwood's budget; merchant's and manufacturer's tax, which does not count as a deduction for local wealth, accounts for about 3%.

#### **Dan Iannicola, Board President; Dr. Gay Tompkins, Superintendent; Linda Hobbs, teacher; Affton School District**

Hold-harmless status has forced Affton to cut vital services and to hold salaries level. Voters are frustrated, feeling as though they support their schools well but they don't get back state moneys in proportion to their support. Although the district has some housing that sells for \$90,000, it would probably sell for half that figure in a different part of the state. Housing was primarily built soon after World War II and is often occupied by the original owners, whose income is not in proportion to the value of the house.

Large class sizes, outdated resources, and lagging teacher salaries result from the lack of additional state funds. Professional development for teachers has been downscaled, resulting in a low ceiling on the amount available per teacher and eligibility on a 3-year rotating cycle, which means that follow-up activities which have been found most effective can't be scheduled.

In response to committee questions, the witnesses explained the district had applied for an A+ grant and had been turned down and that they pursued partnerships with businesses, such as the one they have with Southwest Bell.

#### **Dr. James Sucharski, Superintendent, Bayless School District**

Bayless is a provisionally accredited district spending considerably less than the state average, with a minimal tax levy. Its housing situation is similar to Affton's, and a high proportion of residents are at or near retirement age. Reduced amounts of state aid for textbooks and for remedial reading have exacerbated the district's problems, which include low teacher salaries by



county standards.

In response to committee questions, Dr. Sucharski suggested an add-on for Line 14 at-risk moneys and an inflation factor as possible solutions for hold-harmless status. While the amount of money Mr. Glaser suggested wouldn't correct all problems, it would help with mandated programs. Bayless would have to almost double its \$2.75 levy to get back on the formula.

**Wendy Roundy, Margaret Scouby, Don Eckert, teachers, Webster Groves School District**

The witnesses described problems with large class sizes, the scarcity of textbooks, obsolete equipment, and buildings needing repair. They cited many teachers using their own cell phones to boost security and a large proportion of teachers working second jobs, which precludes them from being available to students in the afternoon for additional tutoring and counseling.

**Joy Lieberman, University City School Board**

University City district doesn't participate in the voluntary transfer program, so that is one source of funds not available to it. The district bears 4% more of its costs than it did before SB 380, with its operating levy rising from \$3.70 to \$4.31. The district needs social workers, nurses and reading specialists, which it can't afford.

**David Courtway, Jefferson County R-VII School Board**

The only avenue for hold-harmless districts to get more funding is to ask their voters to raise the levy, but in many districts, the well is dry. The effect of hold-harmless on teachers is dramatic: Jefferson R-VII has had a teacher turnover rate in excess of 40% the last two years. Additional funding for the categoricals would help, since shortages in transportation and exceptional pupil funding must be made up from local funds. The district's match on the technology grant is 30%, which simply precludes it from seeking a grant.

**Senator Anita Yeckel**

The Senator would like to see the House committee expanded to become a joint committee and its scope extended to encompass school finance in general. SB 380 punishes wealthy districts, a problem that is made worse by a program of aggressive reassessment in St. Louis County. In effect the calculated levy, designed to prevent mandatory tax rollbacks from harming a district's state aid, has created 200 more hold-harmless districts. Gaming money, which now goes through the formula for distribution, should be sent to districts on a per capita basis with no strings attached to its use. Although it was not implemented, at least the old formula had a cost-of-education factor. In response to committee questions, the Senator stated she believed both houses of the General Assembly are ready to deal with this issue.

**Gordon Reel, St. Louis Regional Commerce and Growth Association**

The association is very careful about supporting legislation; it supported the redirection of railroad and utility revenues that was part of SB 380. The association believes hold-harmless is unfair.

**Terri Ems, President, Affton Chamber of Commerce**

Businesses are reluctant to locate in a school district that appears to be financially troubled, and

teachers in a such a district may eventually have to make the choice of leaving to teach elsewhere.

*Individuals:* **Kenneth Dale, Mehlville; Bennett Webb, Affton; Barry Smythe, Affton**

We need to make children our priority. Children need mentors and people at the school who have their best interests at heart. Some of this can be voluntary, but a support system needs to be in place so children don't fall through the cracks. Although citizens complain about property taxes, they generally appreciate the efforts made on behalf of the district's children by the schools and public officials.

### **October 18, 1999 Meeting at Lindenwood University**

**Dr. Ronald Berrey, Superintendent; Mike O'Connell, Chief Financial Officer; Kathy De Laquil, school board member; Denise Pitlyk, parent, Wentzville R-IV District.** Wentzville has a rather volatile tax base, with one taxpayer supplying about 25% of local revenue and the district poised for explosive residential growth. However, because of the depreciation schedule on high tech business that results in dwindling commercial value, it takes a disproportionate amount of residential growth to make up for it. The district has asked for and gotten several increases to its levy, but the most recent one failed, signalling that taxpayers are losing patience. Taxpayers are also angered at the realization that hold-harmless districts do not receive gaming revenues. Parents choose districts for good academic records, but hold-harmless status forces cutbacks that are hurting and will hurt student performance. A cost-of-living adjustment and additional moneys for the categorical expenses would help. The cost of staying in compliance with new laws is growing faster than new sources of revenues. In response to questions from the committee, the district expressed no preference for either a COLA or increased categoricals but stressed that both are needed.

**Dr. Terry Holder, Superintendent, St. Charles R-VI District.** The district considers itself fortunate to be hold-harmless, considering the alternatives. This district is very small in area and thus does not have much prospect of growing its way out of hold-harmless status. It is also facing potential Missouri School Improvement Program problems with being able to offer a block schedule or an extra period of instruction to meet accreditation standards, which it cannot currently afford to do.

**Daniel Dozier, Assistant Superintendent; Barbara Brown, special education teacher, St. Charles R-V (Orchard Farms) District.** Two aspects of funding that haven't been mentioned so far: (1) while there are new funds available from grants, frequently the grant is more like seed money to help establish a program that will have to find funding elsewhere after the grant runs out; and (2) hold-harmless status has also made it difficult to staff support positions like bus drivers and secretaries. Congress is considering changes to education funds that have previously been entitlements, which may become competitive grants, which will put the district at a disadvantage. Asking teachers to help write grants cuts into their preparation time; you can only

ask them to do so much before you wear them out. In response to questions from the committee, tax increment financing was revealed as a source of problems if the district is not included in the initial negotiations. The district would prefer additional funding linked to the Consumer Price Index.

**Chet Boeke, former state representative, business owner.** Schools must be scrutinized much more closely to ensure efficient use of funds before more money is required.

**Larry Dew, Superintendent, Pike County R-III.** Districts that have an agricultural economy are having real problems. They cannot really ask their patrons for a levy increase. The assessed valuation for Pike County district is about \$41 million, and the problem is compounded by having one company that supplies about 45% of local tax effort.

**Lucretia Steinhage, individual (Pike County).** Despite having a rather large family farm and rental acreage, the witness's children qualify for reduced price lunch. The witness opposed the last levy increase because their income has been dropping. Some consideration should be given to other methods of funding besides property taxes.

**Carl Peterson, individual, Ferguson-Florissant R-II (former board member).** Hold-harmless was helpful to this district; otherwise, it would have lost all its funding. Much of the district's growth has been through TIF developments, and the district has cut all the fat it can find. If the retention provisions of HB 889 are implemented and there is not additional funding to help teachers teach reading, the district will be in trouble when it has to retain students and has nowhere to put them.

**Richard Klemp, Harrah's Entertainment.** Repealing loss limits may help generate more revenue that could be directed to the problems of hold-harmless district. It could potentially add \$50 million to the pot (\$43 million in admissions x an additional \$10 per winner x 18% for state's share = \$77 million; \$50 million is a conservative estimate). In response to committee questions, the witness said that open boarding, which was supposed to increase revenues, would help some casinos more than others; some casinos were anticipating a 25-30% increase.

**Representative Chuck Gross.** While casinos are a potential revenue source, they are somewhat volatile. The witness suggested a periodic adjustment to the base level of hold-harmless districts.

**Brad Goss, individual, Webster Groves District.** Webster Groves will run a deficit; its buildings are becoming inadequate. The witness made 5 recommendations: 1. create a COLA for hold-harmless districts; 2. give hold-harmless districts their Line 14 at-risk moneys outside the formula; 3. fully fund the categorical revenues of districts; 4. capture 2 full years of the CPI at reassessment; and 5. consider state-issued bonds for funding school building in hold-harmless districts.

**November 2, 1999 Meeting at Northgate Middle School, North Kansas City**

**Dr. Thomas Cummings, Superintendent; Spencer Fields, Board President; Terrence Ward, Board Member, North Kansas City School District.** North Kansas City district has been facing serious overcrowding since the early 1990s, and it has taken 2 bond levy attempts and 3 operating levy attempts to get the necessary funding to address the problem. District voters look at the economic health of the district, particularly in regard to the casinos, and can't understand why the district needs more money. When adjusted for inflation, the district's \$827 payment has the purchasing power of \$715; in today's dollars, it should be \$994. One possible solution would be to increase the hold-harmless amount by the same percentage as the formula is increased or by the percentage that transportation is increased.

From an economic development standpoint, hold-harmless status as a result of increasing assessed valuation doesn't make sense. The fastest-growing districts are frequently hit hardest, which can affect business relocation decisions. The prospect of Kansas City's accreditation decision also haunts its neighboring districts, many of which are poised on the edge of hold-harmless status.

In response to questions from the committee, the witnesses agreed that providing more funding or more flexibility for at-risk funding would be helpful. The district has about \$8 million in tax increment financing; they are somewhat reluctant to do more.

**Bob Griffey, Assistant Superintendent, Center School District.** Center district has been hold-harmless every year since SB 380. It is not a growing community, and it doesn't have room for growth. Increases in the assessed valuation come from reassessment. Only about \$800,000 out of its recent \$13,000,000 increase was from new construction. Funding the categoricals to their statutory limits would be very beneficial; so would an inflation factor.

**Representative Dick Franklin, Missouri House of Representatives, Budget Committee Chair.** In the early 1990s, the quality of education depended on where a student lived; a district with a high level of assessed valuation had more money behind their students than a district with the same levy but less assessed valuation. Hold-harmless was part of the political compromise that permitted a much greater level of equity based on equal access to resources for every penny of levy. In fact, hold-harmless goes counter to equity but was absolutely necessary in a practical sense to get a new formula adopted.

In response to questions from the committee, the witness declined to speculate on how much longer hold-harmless districts would continue to get their 92-93 level of funding. In considering an inflation factor, the committee needs to be careful not to structure a remedy that would either break the bank or disrupt equity to the point that the state would be back in court. An inflation factor would have to address every district, not just hold-harmless districts, in order to avoid provoking another lawsuit. It is possible that the elected or appointive status of the tax assessor's office affects the situation.

**Rowena Conklin, Cooperating School Districts of Greater Kansas City.** One potential solution would be to take the Line 14 funding out of the hold-harmless calculation and give it to

hold-harmless districts like any other categorical funding. Representative Scheve sponsored a bill to do this (HB 918 of 1999), for which the fiscal note was estimated as \$24 million up to \$40 million. The \$24 million figure was reasonable, although it could possibly be as low as \$17-18 million when figured with a different set of assumptions.

## **November 15, 1999 Meeting at the Capitol, Jefferson City**

**Dr. Dan Steska, Superintendent, and Dr. R. Ferrell Ervin, President of the Board of Education, Cape Girardeau.** The changes made by SB 380 to provide equity have worked, but hold-harmless status is affecting the district's ability to keep up its good programs: salaries have been frozen, teacher turnover has been high, fund balances are diminishing, local funding has gone from 50% to 62% under hold-harmless status. Several solutions are possible: Increases in basic state support to keep pace with inflation; increased funding for categoricals, at-risk, technology, and assessment.

**Dr. Bob Moran, Washington School District.** The district would like to see increased funding for the categoricals and a change in the Line 14 calculation.

**Dr. Chris Straub, Missouri Association of School Administrators.** Changes enacted by SB 781 for Line 14 at-risk moneys will provide additional funds for hold-harmless districts. For those districts participating in the voluntary transfer program, because of the difference in the way in which at-risk transfer pupils will be counted between FY 2000 and FY 2001, some of the additional funding would basically be a one-time infusion. A small change to the wording of the hold-harmless subsection of the foundation formula would, in effect, reset the base year to 1997-98, letting the hold-harmless district count its resident at-risk population and calculate growth based on that number, rather than on a figure that is inflated by transfer students.

**Dr. Bert Kimble, Superintendent, Jefferson City.** The Jefferson City district will receive substantial benefits from the changes enacted by SB 781. Both options for hold-harmless districts help Jefferson City. Additional categorical funding would be appreciated; it would probably be better to increase categorical funding than to create a CPI factor.

**Dr. Victor Kretzschmar, Superintendent, Westran R-I.** This district has one of the lowest state aid figures: \$290 per pupil. Because of the power plant, the district's levy has disproportionate drawing power, and its reliance on local tax funds places the district in the position of having to maintain large balances to see it through between tax collections. The district has gone to a zero balance before. Of its \$200,000 of state aid, about \$150,000 is for at-risk.

**Dr. Gay Tompkins, Superintendent, Affton.** The district would like to see full funding of the categoricals, a cost-of-living increase in the hold-harmless amount, and to see Line 14 handled like any other categorical. Whatever the solution is, it should be something the districts can count on.

**Dr. Ronald Berrey, Superintendent, Wentzville R-IV.** The single best thing to help hold-harmless districts would be full funding of the categoricals. In response to questions from the committee about long-term versus short-term solutions, the witness stated that a mechanism to permit growth in the categoricals, once the funding cap is reached, would be good.

**Vernon Hudson, Superintendent, Joplin.** Written testimony. In order to keep up a salary schedule that attracts and retains good teachers, the district would like to see an increase in basic formula aid that tracks the CPI.

**Doug Funk, Superintendent, South Iron R-I.** Written testimony. Many people did not understand that the Line 14 calculation for hold-harmless districts put them in the position of a decreased basic entitlement with the mandate of providing at-risk programming. The district recommends a CPI increase in basic state support; Line 14 funding; increased categorical funding; and more technology funding.

## Appendix 2. Possible Solutions and Possible Funding Sources

Included as Appendix 2 are the list of possible solutions and funding sources from which the Committee selected their top three choices. The items are in no particular order or suggested rank.

### Suggested Solutions for Hold-harmless Districts

1. Give hold-harmless districts an additional payment that compensates for inflation.  
Estimated cost to bring current districts up to current level (14.5% since 92-93): \$14.8 million; additional yearly cost, approximately \$2 million per year.
2. Increase hold-harmless payments by the same percentage that the formula or transportation funding is increased. Transportation increased by 20.73% from 98-99 to 99-00; basic formula + line 14 increased by 14.64% in the same time. These projections are for one year based on the SB 781 hold-harmless cost.  
Estimated cost: Increase by same percentage as transportation increase: at least \$12 million.  
Increase by same percentage as basic formula increase: at least \$6 million.
3. Let hold-harmless districts keep their entire line 14 amount (take line 14 out of the hold-harmless calculation).  
Estimated cost: at least \$24 million.
4. Put extra money into the categoricals, particularly transportation.  
Estimated cost:           Transportation           \$18.9 million\*  
                                  Vocational education   19.0  
                                  Special education     69.8  
                                  Gifted education       1.5  
                                  Remedial reading       3.7  
\*Requested appropriation will be \$37 million (includes \$9 million for KC transportation payment; \$8.2 million for transfer program, \$.9 for charter school transportation).
5. Create a new categorical for safe schools/anti-violence. No cost estimate available.
6. Create a cost-of-living factor that would apply to all districts if district did not get CPI level increase in its state funding.
7. Capture two full years of the CPI at reassessment. This would have the effect of lower rollbacks of local taxes, making more local funding available.
8. Consider statewide bonds to provide a pool of capital funding to be made available to hold-harmless districts.

9. Statutory change to revise how at-risk pupils are counted for transfer districts; would benefit suburban districts who received "one-time" Line 14 moneys during 1999-2000.
10. Statutory change to tax abatement procedures to ensure that school districts have due process in creation of abatement, similar to being included in TIF board. Possible change to TIF board procedures to ensure effective inclusion in TIF initial negotiations.

### **Potential Funding Sources**

1. **Gaming revenue**
  - a. **From open boarding related increases.** These moneys are currently earmarked for the formula. Additional revenues from gaming would lessen the need to begin putting general revenue into the formula. The planned infusion of GR could be redirected to categorical or other funding.  
Estimated additional revenue: The Gaming Commission did not want to venture a revenue projection based on the amount of data they have on hand.
  - b. **Repeal loss limits for riverboats.**  
Estimated additional revenue: \$50 -- 90 million
  - c. **Additional \$1 riverboat boarding fee.**  
Estimated additional revenue: \$42 million
2. **Pull gambling proceeds out of the formula and distribute on a per-pupil basis with 5-year phase-in.**  
Estimated additional revenue: Approximately \$30 million per year for 5 years to replace gambling proceeds with funds from general revenue
3. **Lottery growth.** Lottery proceeds are growing at a slower rate than in previous years due to a maturing market. The disparity between projected and actual revenues is also closing.  
Estimated additional revenue: \$4.5 for FY 01 (based on projected \$150 million for FY 00 and projected \$154.5 million for FY 01)
4. **"Sin taxes."**
  - a. **Cigarettes.**  
FY 98 proceeds: \$106 million (current rate 17 cents per pack)  
Revenue from one additional cent: \$6.25 million
  - b. **Other tobacco.**  
FY 98 proceeds: \$7.7 million (current rate 10% manufacturer's invoice)  
Revenue from additional 10%: \$770,000
  - c. **Beer.**  
FY 99 proceeds: \$7.93 million (current rate 6 cents per gallon)  
Revenue from additional cent: \$1.32 million
  - d. **Wine.**  
FY 99 proceeds: \$2.8 million (current rate 36 cents per gallon)



- Revenue from additional cent: \$77,000
- e. **Hard liquor.**  
 FY 99 proceeds: \$14.06 million (current rate \$2 per gallon)  
Revenue from additional \$1: \$7 million
  - f. **Gaming.**  
 FY 98 proceeds: \$160 million (current rate 18%)  
Revenue from additional 1%: \$8.9 million
5. **Additional one-cent sales tax.** Distributed on a per-pupil basis.  
Estimated additional revenue: Based on FY00, \$627 million (\$730 per eligible pupil)
  6. **General revenue made available from Conservation Federation lawsuit.** A recent decision by the Missouri Supreme Court resulted in a change to the total state revenue calculation that drives Hancock refunds. The lid remains the same, but the money subject to the lid is reduced by excluding Conservation funds from total state revenue, resulting in more money available for appropriation.  
Estimated additional one-time revenue:  
 FY 98: \$78.9 million  
 FY 99: \$83 million
  7. **Tobacco settlement proceeds.** These are rough estimates; a series of semi-annual adjustments can make payments vary. This is also contingent upon reaching "state specific finality" through closure of lawsuits filed by parties seeking a portion of the settlement proceeds.  
Estimated additional revenue:

<b>FY00</b>	\$145.8 million
<b>FY01</b>	157.5
<b>FY02</b>	189.1
<b>FY03</b>	190.8
<b>FY04--07</b>	159.3 million per year
<b>FY08--17</b>	175.8
<b>FY18--25</b>	182.1
  8. **Local option sales and income taxes.**  
 Would vary by district; requires enabling legislation.